

Message Text

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12

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 L-03 IO-14

AGR-20 SWF-02 STR-08 PA-04 PRS-01 USIA-15 DRC-01 /196 W

----- 113982

R 102145Z MAY 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 3072

INFO AMEMBASSY BOGOTA

AMEMBASSY RASILIA

AMEMBASSY ABADJIAN

AMEMBASSY LONDON

AMCONSUL LUANDA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMCONSUL RIO DE JANEIRO

AMEMBASSY SAN JOSE

SAN SALVADOR 3967

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE GUATEMALA 2611

E.O. 11652: N/A

TAGS: ETRD, EAGR, GT

SUBJ: CENTRAL AMERICAN COFFEE MEETING AND TRIP OF IBC PRSEIDENT
MAGALHAES TO COSTA RICA

REF: STATE 088315

1. SUMMARY. OTHER MILDS COFFEE PRODUCING COUNTRIES MET MAY
6-7 IN COSTA RICA TO FORM ORGANIZATION TO SUPPORT PRICES WITH HELP
FROM BRAZIL AND COLOMBIA. MEXICO, EL SALVADOR, AND COSTA RICA
PLEDGED \$9 MILLION TO GET FUND UNDERWAY IMMEDIATELY, AND BRAZIL
AND COLOMBIA ALSO WILL FURNISH MONEY AS NEEDED. ESTABLISHMENT
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OF MINIMUM PRICE LEVEL LIKELY TO BE EARLY STEP. ONLY 3 MILLION

BAGS OF OTHER MILDS AVAILABLE FOR SALE NEXT FIVE MONTHS.

2. REPRESENTATIVES FROM CENTRAL AMERICA, MEXICO, PANAMA, DOMINICAN REPUBLIC, BRAZIL, AND COLOMBIA MET MAY 6-7 TO DISCUSS FORMATION MULTINATIONAL ORGANIZATION OF PRODUCERS OF QUOTE OTHER MILDS UNQUOTE COFFEE. TWO ADDITIONAL TOPICS AROSE: (1) CREATION OF FUND TO SUPPORT OTHER MILDS COFFEE PRICES AND (2) REPORTS THAT BRAZIL WOULD OFFER UP TO \$100 MILLION TO SUPPORT PRICES AND NEW ORGANIZATION.

3. MEXICO AND EL SALVADOR COMMITTED SELVES TO FORMING MULTINATIONAL GROUP, WHICH MAY OR MAY NOT BE NAMED QUOTE OTROS SUAVES, S.A. (OSSA) UNQUOTE, AND COSTA RICA AGREED ALSO. EACH OF THESE THREE HAD ADVANCE APPROVAL FROM ITS GOVERNMENT TO PLEDGE \$3 MILLION AS FUND TO GET OSSA UNDERWAY. GUATEMALA ALSO AGREED TO PARTICIPATE BUT FIRST MUST OBTAIN APPROVAL FROM GOG AND DECIDE UPON SOURCE OF ITS \$3 MILLION; THIS MAY TAKE MONTH OR TWO, INFORMANT SAID. A POSSIBILITY IS THAT NATIONAL COFFEE ASSOCIATION AND PRIVATE EXPORTERS WILL BE ASKED TO SUPPLY IT.

4. WITH \$9 MILLION FROM INITIAL THREE COUNTRIES TO START, IT WAS SAID FUND MAY START OPERATING MAY 13 AT EITHER OR BOTH PLACES OF COFFEE ORIGIN AND DESTINATION IN SUPPORTING OTHER MILDS PRICES. BRAZIL AND COLOMBIA OFFERED AS INDIVIDUAL COUNTRIES TO ASSIST FINANCIALLY UP TO LIMIT OF FUNDS ACTUALLY NEEDED TO CONTROL COFFEE FLOW AND SUPPORT OTHER MILDS PRICES THROUGH LOANS AND BARGAINING. INFORMANT ESTIMATED THAT ALTOGETHER \$9 MILLION FROM MEXICO, EL SALVADOR, AND COSTA RICA PLUS UNDETERMINED BACK-UP FUNDS FROM BRAZIL AND COLOMBIA MIGHT TOTAL \$40 MILLION.

5. SECOND STEP IN THIS POOL IS LIKELY TO BE ESTABLISHMENT OF MINIMUM PRICES AT LEVEL NOT YET DISCUSSED BUT LIKELY TO BE SLIGHTLY HIGHER THAN CURRENT MARKET PRICES. GUATEMALA PLEDGED TO JOIN OTHER THREE IMMEDIATELY ON THIS. REPRESENTATIVES OF FOUR COUNTRIES MET UNTIL 0230 MAY 8 TO AGREE ON MARKETING MEASURES TO BE TAKEN, BUT INFORMANT WAS SWORN TO SECRECY ABOUT DECISIONS. BUT HE SAID MINIMUM PRICE PROBABLY WILL BE SET WITHIN FEW DAYS, AND SALES WILL BE AUTHORIZED ONLY AT THAT LEVEL OR HIGHER.

6. INFORMANT SAID OTHER PARTICIPANTS SUBSCRIBE TO THESE GENERAL IDEAS. SURVEY INDICATED THAT NO MORE THAN THREE MILLION BAGS LIMITED OFFICIAL USE

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OTHER MILDS COFFEE AVAILABLE(UNSOLD) BETWEEN NOW AND END OF COFFEE YEAR, SEPTEMBER 30.

7. OPERATING FUND AND MARKETING MEASURES WILL BE HANDLED BY PARTICIPANTS ACTING OUTSIDE OSSA. WHEN OSSA BEGINS OPERATION AS LIMITED CORPORATION, CAFE MUNDIAL WILL COOPERATE FINANCIALLY AND TECHNICALLY INREGULATING RHYTHM OF MARKET, DECIDING WHERE COFFEE CAN BE SOLD AND IN WHAT VOLUMES WITHOUT DEPRESSING

PRICES OR BUILDING UP BUYER STOCKS, ETC.

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